

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6290

Investigation into the establishment of guidelines for)	Hearing at
distributed utility planning by Vermont electric)	Montpelier, Vermont
distribution utilities In Re: Memorandum of)	November 25, 2002
Understanding)	

Order entered: 1/15/2003

PRESENT: Ann Bishop, Hearing Officer

APPEARANCES: Aaron Adler, Esq.
for Vermont Department of Public Service

Morris Silver, Esq.
for Central Vermont Public Service Corporation

Donald J. Rendall, Jr., Esq.
for Green Mountain Power Corporation

Bartlett Leber, Esq.
Sheehey Furlong & Behm P.C.
for Green Mountain Power Corporation

Michael L. Burak, Esq.
Burak, Anderson & Melloni
for Vermont Electric Cooperative, Inc.

Stephen A. Reynes, Esq.
Wilson & White
for Stratton Corporation

William F. Ellis, Esq.¹
McNeil, Leddy & Sheahan, P.C.
for the City of Burlington Electric Department

1. Party of record but did not attend hearing.

Appearances continued:

Gary L. Franklin, Esq.¹
Eggleston & Cramer, LTD
for Citizens Communications Co. d/b/a Citizens Energy Services

Andrew Letourneau ¹
Citizens Communications Company

Trevor R. Lewis, Esq.¹
Primmer & Piper, P.C.
for Fourteen Municipal Electric Departments

Edward V. Schwiebert, Esq.¹
Reiber, Kenlan, Schwiebert, Hall & Facey, P.C.
for Vermont Marble Power Division of OMYA Inc.

Thomas Pierce, President ¹
Rochester Electric Light & Power Company

William Powell ¹
Washington Electric Cooperative, Inc.

REPORT AND RECOMMENDATION REGARDING
MEMORANDUM OF UNDERSTANDING

I. INTRODUCTION

This proposal for decision concerns the Memorandum of Understanding ("MOU") filed in this Docket on October 10, 2002, and associated Supplemental Agreements filed with that MOU and subsequently. The MOU has been signed by the Vermont Department of Public Service ("DPS"), the City of Burlington Electric Department ("BED"), Central Vermont Public Service Corporation ("CVPS"), Citizens Communications Company d/b/a Citizens Energy Services ("Citizens"), Green Mountain Power Corporation ("GMP"), the Stratton Corporation ("Stratton"), Vermont Electric Cooperative, Inc. ("VEC"), Vermont Marble Power Division of OMYA, Inc. ("Vermont Marble"), and Washington Electric Cooperative, Inc. ("WEC"). The MOU contains various provisions including, among other things, agreement on (1) Area-Specific Collaboratives ("ASC"), (2) avoided costs, externalities and risk adjustments to be used in distributed utility planning ("DUP"), and (3) a screening tool for use in determining whether a particular transmission and distribution project should be subject to DUP analysis.

In this Proposal for Decision I recommend that the Public Service Board ("Board") approve the MOU and Supplemental Agreements for the service territories of the signatory utilities² with two modifications:

- (1) each ASC should be contained in a separate docket, rather than in a subdocket of this docket; and
- (2) the Phase II Collaborative should be extended until January 16, 2003, (instead of January 2, 2003).

Therefore, I recommend that the Board immediately open ten new dockets, each of which would contain one ASC. I further recommend that the Board note the criteria for these dockets described in finding 4, below, in the orders opening those dockets.

2. As explained further in my November 8, 2002, status conference memorandum, those utilities who have not signed the MOU and Supplemental Agreements intend to litigate the issues under consideration in this docket. The results of this litigation will apply in the service territories of those utilities.

In addition, I recommend that the Board require each ASC to file a quarterly status report starting three months after the first meeting of the ASC, and I recommend that the Board require ASC participants to notify the Board within ten business days of the termination of an ASC.

Finally, as requested by the MOU signatories, I recommend that the Board open a rulemaking to establish a procedure for master plan review of multiple distributed generation ("DG") facilities to be installed at the same site or multiple sites, for DUP purposes, to address the same transmission and distribution ("T&D") constraint. I recommend that Attachment C to the MOU serve as the starting point for this rulemaking.

II. PROCEDURAL HISTORY

The early procedural history for this docket is described in the Board's Orders of March 7, 2001, September 28, 2001, and July 16, 2002, and need not be repeated in detail here.³

On October 10, 2002, the DPS filed the MOU, which includes three attachments, and associated Supplemental Agreements. Attachment A to the MOU sets forth avoided costs and externality adjustments to be used in DUP. Attachment B to the MOU is a form for the selection of distributed utility planning areas. Attachment C to the MOU is a conceptual document proposed as a starting point for a rulemaking regarding master planning for distributed generation under 30 V.S.A. § 248.⁴ Co-signatories to the MOU at that time were CVPS, Stratton, VEC, Vermont Marble, and WEC. In the cover letter accompanying the filing, the DPS stated that approval of the MOU and associated Supplemental Agreements is sought for the service territories of the signatory utilities only.

On October 15, 2002, the DPS filed Citizens' and GMP's signature pages to the MOU and associated Supplemental Agreements between the DPS and those utilities. On October 28, 2002, the DPS filed BED's signature page to the MOU and an associated Supplemental Agreement between the DPS and BED.

3. Order of 3/7/01 at 2-5; Order of 9/28/01 at 2; Order of 7/16/02 at 2.

4. At the November 25, 2002, technical hearing, the main body of the MOU was admitted as exh. Joint-21, Attachment A as exh. Joint-22, Attachment B as exh. Joint-23, and Attachment C as exh. Joint-24. The DPS-Hyde Park Bilateral Agreement was previously identified as exh. Joint-21 in footnote 8 in the Board's September 28, 2001, Order; that document is hereby re-identified as exh. Joint-Hyde Park-21.

On November 4, 2002, I held a status conference in this matter. My November 8, 2002, status conference memorandum describes the decisions made at the status conference. That memorandum states that if the MOU and Supplemental Agreements are approved by the Board, they would apply only in the service territories of signatory utilities. The memorandum includes a schedule for litigation proceedings to resolve the issues under consideration in this docket for those utilities who did not sign the MOU and Supplemental Agreements.

On November 25, 2002, I held a technical hearing on the MOU and Supplemental Agreements. Witnesses for the DPS, CVPS, GMP, and VEC testified in support of the MOU and Supplemental Agreements. No party opposed the MOU or the Supplemental Agreements.

On December 13, 2002, a joint proposal for decision was filed by the DPS, CVPS, Citizens, GMP, VEC, VMPD, and WEC. That joint proposal for decision includes an agreement among those parties regarding the conditions under which they would agree to each ASC being contained in a separate docket rather than a subdocket as specified in the MOU.⁵

On December 16, 2002, the DPS filed schedules for the Digital Injection and Tafts Corner Substation ASCs. The DPS's filing indicated that the schedules were agreed to by the other members of each ASC.⁶

Based on the evidence in this docket, I hereby report the following findings and conclusions to the Board in accordance with 30 V.S.A. § 8.

III. FINDINGS

1. Under the Phase I Stipulation,⁷ the initial Guidelines for Distributed Utility Planning ("Guidelines")⁸ remain in effect until modified or superseded by order of the Board. The parties to the Phase II Collaborative did not reach agreement on, and do not propose at this time, changes to the initial Guidelines. Those initial guidelines will remain in effect as the operative

5. The joint proposal for decision will be admitted into the record as exh. Joint-41, unless a party objects to its admission in their comments on this Proposal for Decision. If an objection is received, it will be ruled upon forthwith.

6. GMP and VEC are the other members of the Digital Injection ASC. GMP is the only other member of the Tafts Corner Substation ASC.

7. The Phase I Stipulation was approved by the Board in its 3/7/01 Order in this Docket.

8. The initial Guidelines for Distributed Utility Planning were Attachment A to the Phase I Stipulation.

DUP guidelines for the service territories of those utilities that signed the Phase I Stipulation. Exh. Joint-40 at 3.

DUP and Area-Specific Collaboratives

2. In the MOU, the DPS and each signatory utility stipulate, as a matter of fact, to those areas, if any, of the T&D system of the signatory utility concerning which, as of September 12, 2002, DUP analysis and implementation should be performed. The description of each such area, if any, is contained in a Supplemental Agreement between the DPS and the signatory utility. The DPS and each such signatory further stipulate, based on the information that has been mutually considered to date by them, that, as a matter of fact, the only areas concerning which DUP analysis and implementation should be performed as of September 12, 2002, are those described in a Supplemental Agreement. This stipulation of fact in the MOU is related to agreements, also in the MOU and described below, between the DPS and the signatory utilities concerning: (a) a limitation on the obligation to conduct DUP analysis and implementation during the period September 12, 2002, through September 11, 2007, and (b) the signatory utilities' duty to monitor developments on their T&D systems. Exh. Joint-21 at ¶¶ 3, 4.

3. For each T&D system area that a Supplemental Agreement describes as the subject of an agreement for the performance of DUP analysis and implementation, the DPS and the other parties to such Supplemental Agreement have agreed to engage in an ASC. Each ASC is to be an ongoing settlement negotiation among the parties thereto. Each ASC will seek to reach agreement, for the area of the T&D system that is the subject of the ASC, on at least the following:

- (a) identification and screening of traditional T&D options and of demand-side management ("DSM") and DG options consistent with the Guidelines;
- (b) an appropriate mix of resources to address the relevant T&D constraint(s);
- (c) resource allocations, investment levels, and implementation plans to acquire the agreed-upon mix of resources;

- (d) the allocation of network investments and costs to customers, if any, whose loads are primarily responsible for the need for said investment and costs; and
- (e) the accounting, ratemaking, and cost recovery for non-utility owned DUP DG acquired under such plans.

Each ASC will monitor progress on implementation of the chosen DUP option(s), and if necessary will seek to reach agreement on revisions to resource decisions or implementation plans. Exh. Joint-21 at ¶ 5.

4. Paragraph 5 of the MOU provides that the ASCs would be contained in subdockets within the present docket. However, subsequent to the filing of the MOU, the MOU signatories have agreed that each ASC may be contained within a separate docket provided that:

- (a) The signatories to the Supplemental Agreement creating the ASC are parties to the docket opened to contain the ASC, and other entities may become parties if they qualify for intervention under PSB Rule 2.209.
- (b) Each docket opened to contain an ASC, upon motion of a party to the docket, incorporates such portions of the record of Docket 5980, and the record of this docket through the date of the Board order approving the MOU, as may be specified by the party making the motion. A party responding to such a motion may specify other portions of those records for incorporation and such portions also will be incorporated into the docket opened to contain the ASC.

Exh. Joint-41 at 4; tr. 11/25/02 at 31-32 (Steinhurst); tr. 11/25/02 at 69-70 (Bentley); tr. 11/25/02 at 72 (Couture); tr. 11/25/02 at 75 (Abendroth).

5. Paragraph 6 of the MOU states that, for areas for which there is an ASC, DUP analysis and implementation, including setting levels of resources to be devoted to acquisition of T&D facilities, DSM, or DG, should be determined in accordance with 30 V.S.A. § 218c(a)(1), the Guidelines, and paragraph 34 of the Docket 5980 MOU,⁹ and giving due consideration to other

9. Paragraph 34 of the Docket 5980 MOU states:

When considering the cost-effectiveness of alternatives to a new T&D investment, a DU shall choose the optimal investment strategy, determined under the societal test as defined in Docket No. 5270, subject to the constraints that the chosen strategy produces positive electric system net benefits including T&D cost savings, energy and capacity, and that it will enable the DU to operate its electric system in a safe and reliable

(continued...)

appropriate factors, including but not limited to resource availability, financial constraints, and financial effects on the utility and its customers. Exh. Joint-21 at ¶ 6.

6. Paragraph 7 of the MOU includes an agreement that, as a transitional mechanism, the duty of a signatory utility to conduct DUP analysis and implementation is to be limited, during the period September 12, 2002, through September 11, 2007, to:

- (a) areas identified in a Supplemental Agreement;
- (b) capacity-constrained areas, not identified in a Supplemental Agreement, that emerge after September 12, 2002; and
- (c) any non-constrained area project the capital costs of which exceed \$2,000,000, including any reasonably foreseeable related projects, sub-projects, and multiple phases.

Under the MOU, the cost limitation on non-constrained area projects necessitating DUP analysis and implementation will continue after September 11, 2007, unless and until modified or discontinued by order of the Board, after notice and opportunity for hearing, upon motion of any party to the MOU.¹⁰ Exh. Joint-21 at ¶ 7.

7. Paragraph 8 of the MOU states that each signatory utility shall monitor developments on its T&D system. Under that paragraph, during the period September 12, 2002, through September 11, 2007, this duty is to be limited, for purposes of DUP, to monitoring for the emergence of capacity-constrained areas that are not identified in a Supplemental Agreement and non-constrained area projects the capital costs of which exceed \$2,000,000 (including any reasonably foreseeable related projects, sub-projects, and multiple phases). During this period, the following are to apply:

- (a) Each signatory utility is to bring promptly to the attention of the DPS any such emerging capacity-constrained area or non-constrained area project for consideration of whether the capacity-constrained area or non-constrained area project should be the subject of DUP analysis and implementation by the utility.

9. (...continued)
manner.

10. For purposes of MOU paragraphs 7 and 8, the MOU states that "mere propinquity (i.e., nearness in place or time) shall not create a presumption that T&D projects are related projects." Exh. Joint-21 at 5.

- (b) If the DPS and the utility agree to create a new ASC with respect to such capacity-constrained area or non-constrained area project, or to include the area or project in an existing ASC, the provisions of the MOU are to apply, as are the provisions of the Supplemental Agreement pertaining to the existing ASC, if any, in which the capacity-constrained area or non-constrained area project is agreed to be included.
- (c) If the DPS and the utility create a new ASC with respect to such capacity-constrained area or non-constrained area project, or include the area or project in an existing ASC, they will submit an appropriate Supplemental Agreement to the Board for approval.
- (d) In the event that, during the period in question, the DPS declines to engage in an ASC, the DPS agrees to be reasonably available to the relevant utility for consultation concerning a capacity-constrained area or T&D non-constrained area project brought to its attention in accordance with MOU ¶ 8.
- (e) In the event that either the DPS or a utility declines to engage in an ASC with respect to a capacity constrained area or T&D non-constrained area project brought to the DPS's attention by a utility in accordance with MOU ¶ 8, and if, under Attachment B to the MOU (described below), the area or project is subject to DUP analysis and implementation:
 - (1) The signatory utility is to determine the societally least-cost alternative for the non-ASC area or project in accordance with 30 V.S.A. § 218c(a)(1) and paragraph 34 of the Docket 5980 MOU.
 - (2) If the alternative identified in subparagraph (1), immediately above, includes DSM or DG not owned by the signatory utility, then the utility may consider in its planning the factors enumerated in paragraph 6 of the MOU (which are described in finding 5, above). The consideration of such factors is to apply only to consideration of the alternative as a whole and not to individual programs or measures which are part of the alternative.
 - (3) After complying with subparagraphs (1) and (2), immediately above, the MOU affords the signatory utility the opportunity to petition the Board for permission to implement an alternative other than the alternative identified under subparagraph (1), above, which the MOU states the Board may grant after notice to the DPS and opportunity for hearing. In considering such a petition, the MOU states that the Board may consider the factors listed in paragraph 6 of the MOU. The MOU also states that a decision on such a petition is to be binding only as to the alternative which the Board permits or directs to be implemented, and is not otherwise to be binding or create a precedent.

- (4) After complying with subparagraph (1), immediately above, the MOU affords the signatory utility the opportunity to request that the Board approve distinctive ratemaking treatment for costs associated with a non-ASC project as long as such treatment applies only to implementation of:
 - (i) that portion of the alternative identified under said subparagraph (1) that consists of DG not owned by the utility; or
 - (ii) if the utility has also complied with subparagraphs (2) and (3), above, that portion of a different alternative, approved by the Board under subparagraph (3), that consists of DG not owned by the utility.

The MOU states that a decision under this procedure is to be binding only as to the alternative for which the Board approves or disapproves distinctive ratemaking treatment, and is not otherwise to be binding or create a precedent. Exh. Joint-21 at ¶ 8; exh. Joint-23.

8. The MOU signatories developed, for the transition period in the MOU (that is, the period ending September 11, 2007), the procedure outlined in subparagraph (e) of the immediately preceding finding in recognition that the situation with regard to DUP today is novel and that DUP is an emerging planning methodology. This is similar to the situation faced in the early 1990s when utility-sponsored DSM programs were first introduced. The procedure outlined in subparagraph (e), immediately above, tries to resolve a dilemma without prejudging the outcome. The MOU seeks to leave for a future day decisions about what discretion exists and what is the most appropriate path for the utility to take. Exh. Joint-40 at 3, 4; tr. 11/25/02 at 26, 29-30 (Steinhurst).

9. DUP is acknowledged to be a novel and challenging requirement, and this acknowledgment informs the MOU's provisions for collaborative decision-making via ASCs and the transition period procedures contained in paragraph 8 of the MOU. Exh. Joint-40 at 3.

10. CVPS, GMP, and VEC have sufficient resources to participate in the ASCs created by the various Supplemental Agreements and prepare their integrated resource plans ("IRP") according to the schedule established by the Board in its July 16, 2002, Order in this Docket. The DPS has sufficient resources to participate in the ASCs and review those IRPs. Exh. Joint-40 at 7; tr. 11/25/02 at 70 (Bentley); tr. 11/25/02 at 73 (Couture); tr. 11/25/02 at 76 (Abendroth).

Future Non-ASC Collaboration

11. The MOU includes agreement to two forms of non-ASC collaboration among the signatories: (a) semi-annual meetings; and (b) an extension of the Phase II Collaborative. Exh. Joint-21 at ¶¶ 9, 10.

12. With respect to the semi-annual meetings, MOU paragraph 9 includes the signatories' agreement that, during the five-year period beginning September 12, 2002, the DPS will at least semi-annually convene a meeting to which all entities that signed the MOU will be invited. At each such meeting, which will be conducted outside of a Board docket, one or more representatives of each ASC will provide an update of the activity and status of the ASC. The meetings are to serve as a vehicle for sharing information among the ASCs and, as may arise, discussion of potential revisions to the Guidelines or other generic matters, including the role of the energy efficiency utility ("EEU"), pertaining to DUP. Should agreement be reached among the participants on a particular action that requires Board approval to effect, the MOU states that the participants may petition the Board for such action. It also states that utilities shall not be presumed to have obtained information regarding the activities of ASCs to which they are not parties unless or until such information has been conveyed to said utilities at said semi-annual meetings or otherwise. The agenda for the next to last semi-annual meeting under MOU paragraph 9 is to include:

- (1) whether the signatories can agree to the implementation of any changes to the terms and conditions of the MOU or the Guidelines; and
- (2) whether and how to take into account factors including but not limited to resource availability, financial constraints, and financial effects on the utility and its customers when determining the setting of levels of resources to be devoted to the acquisition of T&D facilities, DSM or DG .

Exh. Joint-21 at ¶ 9.

13. MOU paragraph 9 also states that, upon the completion of the period ending September, 11, 2007, each signatory shall have the right to petition the Board to modify or discontinue any term or condition of this MOU except for paragraphs 1(j) and (2) of the MOU. It

further states that the referencing or quotation in the MOU of a paragraph from the Docket 5980 MOU does not create a right to change the Docket 5980 MOU. Exh. Joint-21 at ¶ 9.

14. The signatories to the MOU agree that provisions of the MOU that are not time-limited extend in perpetuity unless, following completion of the period stated in MOU paragraph 9, the Board changes the provisions on petition of a party following notice to all signatories and opportunity for hearing. The MOU does not address the scope of the Board's ability to change the MOU on its own initiative. Exh. Joint-40 at 1-2.

15. The MOU states that the semi-annual meeting process described in MOU paragraph 9 may serve as a forum for discussion of :

- (a) whether the avoided costs and risk, default hourly load and externality adjustments contained in Exhibit Joint-22 (and discussed further below) should be updated for use in DUP analysis and implementation; and
- (b) whether supporting materials and tools, included in a compilation that the MOU indicates the DPS may create, should be updated.

Exh. Joint-21 at ¶¶ 15, 18.

16. MOU paragraph 10 provides that the Phase II Collaborative will continue after October 2, 2002, for a three-month period¹¹ to address the following:

- (a) the EEU's role in DUP, including but not limited to its role in the ASCs, if any;
- (b) tool for estimating DSM potential and cost;
- (c) a tool that estimates the load shapes of DSM measures or programs for use in conducting hourly price analysis; and
- (d) determination of the appropriate method for quantifying certain avoided T&D costs that are described in finding 19, below.

Exh. Joint-21 at ¶ 10.

11. Subsequent to the filing of the MOU, the signatories indicated that they intend to continue collaborating on the issues described in MOU paragraph 10 for two weeks beyond the time called for in that paragraph, or through January 16, 2003. Letter from Aaron Adler, Special Counsel, DPS, to Susan M. Hudson, Clerk, Public Service Board, dated November 20, 2002; tr. 11/25/02 at 81 (Adler).

Avoided Costs, Externalities, and Risk Adjustments

17. Exhibit Joint-22 is Attachment A to the MOU and consists of three components:

- (a) Attachment A-1 to the MOU, entitled "Direct Avoided Costs," states the avoided generation and capacity costs and default hourly load shape adjustment that the signatories agree shall be used in DUP analysis and implementation.
- (b) Attachment A-2 to the MOU, entitled "Avoided Costs of Non-Targeted T&D," states avoided non-targeted T&D costs that the signatories agree shall be used in DUP analysis and implementation. Each ASC is to seek to reach agreement on the appropriate targeted avoided T&D costs to be used in connection with the area that is the subject of the ASC.
- (c) Attachment A-3 to the MOU, consisting of three parts, respectively entitled "Derivation of Settlement Externalities, 1997 Dollars," "Externality Examples, 2002 Dollars," and "Risk Adjustments," states the externality and certain risk adjustments that the signatories agree should be used in DUP analysis and implementation. Each ASC is to seek to reach agreement with respect to applicable risk adjustment values to be used in DUP analysis and implementation not addressed in Attachment A-3.

Paragraph 11 of the MOU states the signatories' agreement that, in this Docket, the Board should approve Attachment A, and such approval is to remain in effect unless and until modified by order in a subsequent docket. Exh. Joint-21 at ¶ 11; exh. Joint-22.

18. If approved by the Board, the Exhibit Joint-22 values shall remain in effect until changed by the Board in a subsequent docket. The MOU signatories agree that a signatory does not need to wait until after September 11, 2007, to petition the Board to change the Exhibit Joint-22 values. Exh. Joint-40 at 2.

19. With respect to avoided T&D costs, the MOU signatories agree for the purposes of the MOU that, in addition to the specific T&D facilities that may be identified as avoidable or deferrable through area-specific DUP analysis and implementation, other T&D costs may be avoided or deferred through load reductions in the area served by those specific T&D facilities, including the costs of other T&D facilities that would be needed in the future to accommodate load growth not anticipated at the time a DUP analysis is performed. The signatories further agree for the purposes of the MOU that such avoidable costs are normally present and should be recognized in DUP analysis unless, in an ASC the parties thereto agree upon, or the Board

approves, an area-specific risk adjustment that is intended to reflect the risk of such avoidable costs. Exh. Joint-21 at ¶ 12.

20. The MOU states that the parties to an ASC may agree to update values in Exhibit Joint-22, and shall seek to agree, for purposes of DUP in connection with the area or areas that are the subject of the ASC, to make appropriate modifications to values contained in that exhibit to recognize area specific costs and conditions. For purposes of DUP analysis and implementation outside of an ASC, a signatory may seek permission from the Board to make appropriate modification to values contained in Exhibit Joint-22 to recognize area specific costs and conditions including but not limited to modifications consistent with paragraph 50 of the Docket 5980 MOU, which provides that "in DUP planning and implementation, area-specific T&D avoided costs should be substituted for system-wide." Exh. Joint-21 at ¶ 13.

21. The MOU states that the signatories' agreement to Exhibit Joint-22 will not establish any precedent or requirement with respect to the use, outside of DUP analysis and implementation, of the avoided costs and externality adjustments contained in that exhibit. Except with respect to use in DUP analysis and implementation, nothing in the MOU shall preclude the signatories from asserting in a future proceeding that the avoided costs and risk, default hourly load shape, and externality adjustments contained in Exhibit Joint-22 are or are not reasonable to use. Exh. Joint-21 at ¶ 14.

22. The values contained in Exhibit Joint-22 are a bottom-line compromise reached by the MOU signatories in negotiations. These values are reasonable as part of the overall compromise represented by the MOU and associated Supplemental Agreements. Tr. 11/25/02 at 42-55 (Steinhurst, Chernick); tr. 11/25/02 at 71 (Bentley).

23. The avoided cost projections for generation energy and capacity contained in Exhibit Joint-22 generally fall within a range of avoided costs found by the Board in its Order of June 13, 2002, in Docket 6545 to be reasonable. This range is bounded by the CVPS 2002 forecast and the DPS 2001 forecast. Exh. Joint-40 at Attachment C; Docket 6545, Order of 6/13/02 at 42.

24. The avoided cost projections for generation energy and capacity contained in Exhibit Joint-22 were not arrived at in exactly the same manner and are not used for exactly the same purpose as the projections on which the Board based its finding in Docket 6545. While these

differences might be important if one sought to determine precise numerical consistency of the various projections, comparison of the avoided cost projections in Exhibit Joint-22 with the range of avoided costs found reasonable by the Board in Docket 6545 is useful as a reality check to determine whether the Exhibit Joint-22 projections are within the same range and order of magnitude, i.e., whether they are reasonable. Tr. 11/25/02 at 42-45 (Chernick).

25. In the years 2003 through 2005, the avoided cost projections for generation energy and capacity in Exhibit Joint-22 are somewhat above the range found by the Board to be reasonable in Docket 6545. While the DPS does not ask the Board to approve a particular methodology, if the DPS were to develop new avoided costs using its standard methodology, adjusted for consumer load shape rather than base load marketing load shape, the DPS believes it would arrive at updated values for those years that would be within a reasonable margin of error of the values shown for those years on Exhibit Joint-22. Exh. Joint-22; exh. Joint-40 at Attachment C; tr. 11/25/02 at 45-46 (Steinhurst).

26. In the year 2008, the avoided cost projection for generation energy and capacity in Exhibit Joint-22 is well within the margin of error for an avoided cost projection in the \$40/MWh range found by the Board to be reasonable in Docket 6545. In addition, during the period 2006-2012, the avoided cost projections in Exhibit Joint-22 track closely the lower end of the range found by the Board to be reasonable in Docket 6545. Exh. Joint-22; exh. Joint-40 at Attachment C; tr. 11/25/02 at 46 (Steinhurst); tr. 11/25/02 at 47 (Chernick).

27. Any values included in Exhibit Joint-22 stated in a particular year's dollars would rise with inflation, including but not limited to values for externality adjustments; values stated in nominal dollars, such as those for avoided generation energy and capacity, would not rise with inflation. Exh. Joint-40 at 10; tr. 11/25/02 at 55-57 (Chernick).

T&D Screening Form

28. Attachment B to the MOU, entitled "Form for Selection of DUP Target Areas" and admitted into evidence as Exhibit Joint-23, constitutes a reasonable tool for a signatory utility to use in determining whether a T&D project should be subject to DUP analysis. Reasonable and good faith application of Exhibit Joint-23 by a signatory utility will establish a rebuttable

presumption that the utility's decision regarding whether a T&D project should be subject to DUP analysis complies with the Guidelines. Exh. Joint-21 at ¶ 16.

Sharing of Costs Among Utilities

29. Paragraph 20 of the MOU provides that, to the extent that an ASC involves analysis or implementation of investments in one utility's territory for the purpose of addressing a capacity constrained area or T&D project in another utility's territory, each utility which is a party to such an ASC will work in good faith to negotiate an equitable sharing of costs among the utilities whose territories are affected, with costs equitably allocated to each utility whose customers cause the need for, or receive the benefits of, measures to be taken. The MOU also provides that a utility which is not party to such an ASC shall have notice and an opportunity to be heard prior to the approval by the Board of a cost-sharing arrangement which would allocate costs to such utility. Exh. Joint-21 at ¶ 20.

Interconnection

30. For DUP DG, the MOU states that the interconnection standards that are to apply are those contained in the Institute of Electrical and Electronic Engineers ("IEEE") P1547/D9, Draft Standard for Interconnecting Distributed Resources with Electric Power Systems unless otherwise agreed to by the utility and the DG operator. At such time as a final adopted interconnection standard is issued by the IEEE pertaining to DG, such final interconnection standard is to apply to DUP DG unless otherwise agreed to by the utility and the DG operator. In the event that, prior to adopting a final standard, the IEEE issues a further draft interconnection standard that is publically available, such further draft interconnection standard is to apply to DUP DG until adoption of a final standard by the IEEE, unless the Board orders otherwise or unless otherwise agreed to by the utility and the DG operator. The MOU states that a signatory may petition the Board to modify any of these draft standards on a showing of good cause. Exh. Joint-21 at ¶ 21.

31. MOU signatories clarified that the Board may modify any of the interconnection standards described immediately above, draft or final. The Board could do so on its own initiative. Exh. Joint-40 at 4.

Section 248 Master Planning

32. In order to facilitate the permitting of DUP DG, the MOU proposes that the Board undertake a rulemaking to establish a procedure for master plan review of multiple DG facilities to be installed at the same site or multiple sites, for DUP purposes, to address the same T&D constraint. The signatories propose that Attachment C to the MOU serve as the starting point for this rulemaking proceeding. Exh. Joint-21 at ¶ 22; exh. Joint-24.

Incentives for DUP Distributed Generation

33. The MOU states that a range of incentives for the development of societally cost-effective customer-side DG may be appropriate as part of a DUP resource acquisition plan by a signatory utility. Such incentives should be selected and designed to maximize the probability of achieving a least-cost solution and, consistent with that objective, to minimize costs to other ratepayers and to manage financial and rate effects. Depending upon the circumstances, such incentives may include but are not limited to:

- (a) up-front cash payments;
- (b) continuing performance-based payments;
- (c) assuming costs that normally would be paid by customers connecting DG to a utility's electric network, including:
 - (1) interconnection equipment and control measures as are necessary and required to permit the safe and reliable interconnected operation of the DG facility with the host utility's electric network;
 - (2) metering the DG facility, including (where necessary) the cost for determining VAR (Volt Ampere Reactive) production and consumption at the facility's point of interconnection with the host utility's electric network;
 - (3) electric network relay, protection and isolation equipment as are necessary and required to safely protect the host utility's electric network, either from

flows into the utility's system produced by the DG or flows into the customer's facility in the event of the loss of the DG; and

- (d) creation of tariffs or special contracts applicable to DG customers where the DG is a part of an area DUP resource plan.

Exh. Joint-21 at ¶ 23.

34. The MOU states that, if retail tariffs impose or create uneconomic barriers for customers who develop or operate DG as part of a DUP resource plan, the signatory utility shall make reasonable efforts to eliminate such barriers, either by modifying the tariffs or by developing special contracts applicable to DG that is part of a DUP resource plan. Strategies should be selected and designed to maximize the probability of achieving a least-cost solution and, consistent with that objective, to minimize costs to other ratepayers and to manage financial and rate effects. Exh. Joint-21 at ¶ 24.

Incentives for DUP DSM

35. The MOU states that a range of incentives for the development of societally cost-effective DUP DSM may be appropriate as part of a DUP resource acquisition plan by a signatory utility, depending on the circumstances. Incentives should be selected and designed to maximize the probability of achieving a least-cost solution and, consistent with that objective and principles of sound program design, to maximize and facilitate customer contribution to measure costs, minimize costs to other ratepayers and manage financial and rate effects. Exh. Joint-21 at ¶ 25.

Persistence and Reliability

36. The MOU states that when, as part of DUP implementation, a signatory utility relies on customer-controlled DG and DSM to serve load, the utility shall take all reasonable steps necessary to ensure that appropriate measures, both physical and contractual, are developed, implemented, monitored, and evaluated, to maximize the probability that the resource will reduce load reliably when needed to relieve a supply problem. Exh. Joint-21 at ¶ 26.

DUP Pricing Principles: Technical Workshop on Network Expansion Costs

37. The MOU requests that the Board convene one or more technical workshops in this Docket to facilitate discussion among the parties to this Docket and Board staff concerning the DUP pricing principles which should apply to allocation of costs in situations where the load of a particular customer or group of customers is primarily responsible for the need for major investments in electric network upgrades or in DUP DG or DSM. Upon completion of the workshop(s), the signatories seek a further opportunity to reach agreement concerning such pricing principles. Exh. Joint-21 at ¶ 27.

Supplemental Agreements

38. Exhibits Joint-31, Joint-37, Joint-38, and Joint-39 are Supplemental Agreements to the MOU between the DPS and, respectively, Citizens, VEC, VMPD, and WEC. Each of these exhibits states that, under and subject to the terms of the MOU, the DPS agrees that, as of September 12, 2002, the service territory of the relevant utility does not contain any T&D system areas that require DUP analysis and implementation.

39. Exhibit Joint-25 is a Supplemental Agreement between DPS and BED. Like the exhibits described in the immediately preceding finding, this exhibit states that, under and subject to the terms of the MOU, the DPS agrees that, as of September 12, 2002, the service territory of BED does not contain any T&D system areas that require DUP analysis and implementation. In addition, Exhibit Joint-25 states:

- (a) Each time one of BED's 4.16 kV lines or circuits needs replacement in the ordinary course of business, BED represents that it has a standing practice of replacing the facility with a 13.8 kV line or circuit. The DPS has reviewed this practice extensively in the past and believes that in these particular situations it is highly unlikely that the need for the 13.8 kV line or circuit can be avoided or deferred through DSM or DG. Based on this review, the DPS agrees that BED may continue this practice without subjecting to DUP analysis any 13.8 kV line or circuit which BED is installing to replace a 4.16 kV line or circuit requiring replacement in the ordinary course of business.
- (b) BED and the DPS agree to convene an ASC concerning underground placement of BED facilities in the waterfront area of the City of Burlington (the "City") if: (a) within two years of the date Exhibit Joint-25 is executed, a formal determination that such facilities are to be

placed underground is made by the City officer or entity authorized to make and effect such a determination; and (b) review under Exhibit Joint-23 of a specific proposal for underground placement of such facilities results in a c
Exh. Joint-25 at 1-2.

40. Exhibits Joint-26 through Joint-30 are Supplemental Agreements between the DPS and CVPS, with Stratton also signing Exhibits Joint-29 and Joint-30. These exhibits include agreement for the formation of ASCs regarding, respectively, the following: the CVPS Central Area; the Milton distribution area; the Milton subtransmission area; the Stratton distribution area; and the Southern Loop. In these agreements, the signatories agree that DUP planning and implementation shall be performed for each of these areas. Exhibits Joint-29 and Joint-30 also each contain provisions under which the Stratton distribution and Southern Loop ASCs will coordinate information, analysis, and implementation. Exhibits Joint-26 through Joint-30 at 1.

41. Exhibits Joint-32 through Joint-36 are Supplemental Agreements between the DPS and GMP, with VEC also signing Exhibit Joint-32. These exhibits include agreement for the formation of ASCs regarding, respectively, the Digital Injection area, the Lamoille County Loop area, the Mount Snow area, the Tafts Corner area, and the White River Junction Area. In these agreements, the signatories agree that DUP planning and implementation shall be performed for each of these areas. Exhibits Joint-32 and Joint-35 also each contain provisions under which the Digital Injection and Tafts Corner ASCs will coordinate information, analysis, and implementation. Exhibits Joint-32 through Joint-36 at 1.

42. Concerning the Lamoille County Loop, a multi-party effort is now underway to develop a least-cost T&D solution. That effort, nearly complete, does not include DUP analysis and implementation. The T&D solution identified by that effort would form the basis or be one of the first parts of DUP for the Lamoille County Loop area and would be incorporated into the Lamoille County Loop ASC. Tr. 11/25/02 at 58-60, 63 (Steinhurst, Litkovitz); tr. 11/25/02 at 77 (Couture).

43. While ideally other utilities besides GMP would participate in the Lamoille County Loop ASC, the DPS and GMP both believe undertaking such an ASC, even without any additional participants, is beneficial. Tr. 11/25/02 at 62-63 (Steinhurst); tr. 11/25/02 at 77-78 (Couture).

44. Each of the Supplemental Agreements for an ASC contains a date by which the first meeting will be held and a requirement for an informational filing of a schedule for the ASC within 30 days of that date. Each of these agreements also includes the following task list for the ASC:

- (a) specific identification and description of the capacity constraint(s) in the relevant area;
- (b) estimated date by which the capacity constraint(s) in the relevant area will be exceeded;
- (c) in accordance with paragraph 13 of the MOU, appropriate modifications to values contained in Attachment A to the MOU to recognize area specific costs and conditions;
- (d) development and screening of the likely traditional T&D option for resolving the capacity constraint(s) identified for the relevant area;
- (e) development and screening of any applicable DSM and DG options for resolving the capacity constraint(s) identified for the relevant area;
- (f) determination of how load shape will be treated in the ASC: use of the default adjustment, development of an area-specific adjustment, or use of hourly prices and loads;
- (g) review, analysis, and comparison of the above-described T&D, DSM and DG options;
- (h) determination of solution(s) to be applied to resolve the capacity constraint(s) in the relevant area;
- (i) the allocation of network investments and costs to customers, if any, whose loads are primarily responsible for the need for said investment and costs;
- (j) if DUP DG is to be part of the solution(s) to be applied to resolve the capacity constraint(s) in the relevant area, special provision, if any, for accounting, ratemaking, cost recovery and short-term revenue effects with respect to such DUP DG which is not owned by a utility;
- (k) development of an implementation plan for the chosen option, including resource allocations and investment levels;
- (l) execution of the above-described implementation plan; and
- (m) ongoing monitoring and evaluation of such implementation.

Exhibits Joint-26 through Joint-30, Joint-32 through Joint-36.

45. Board approval may or may not be sought for agreements reached within ASCs, depending on their content. The parties to an ASC may reach an agreement or a partial or interim agreement within the ASC and may need or wish to request Board approval of that agreement. Alternatively, they may reach an agreement in an ASC for which they neither need nor choose to seek Board approval; if so, they would notify the Board of that fact and request that the Board take appropriate action with regard to the relevant docket containing the ASC. Exh. Joint-40 at 6.

46. The Supplemental Agreements for ASCs contain termination provisions that are intended to be self-executing. Upon termination, Board action would be necessary to close the docket containing the ASC. ASC participants have agreed to notify the Board within ten business days of such termination. Exhs. Joint-25 through Joint-30, Joint-32 through Joint-36; exh. Joint-40 at 6-7; tr. 11/25/02 at 39 (Steinhurst); tr. 11/25/02 at 70 (Bentley); tr. 11/25/02 at 72-73 (Couture); tr. 11/25/02 at 75-76 (Abendroth).

47. The DPS has agreed to the filing of quarterly status reports for the ASCs similar to the status reports filed in this docket for the Phase II Collaborative.¹² Exh. Joint-40 at 5.

Miscellaneous

48. In the MOU, the signatories acknowledge that the Vermont Electric Power Company, Inc. ("VELCO") is not a party to the MOU and was not a participant in the Phase II Collaborative. The signatories state their intention that the agreements in this MOU do not set forth or alter any obligations, and do not resolve or create precedent with respect to any issue, concerning the application, analysis, or implementation of DUP in connection with any VELCO transmission project or the obligations of any signatory utility with respect thereto, except that DUP analysis and implementation by a signatory utility shall reflect area specific avoided T&D costs associated with all VELCO transmission costs and VELCO transmission project costs

12. Both CVPS and GMP have indicated that they concur in the document in which this statement was made. Letter from Aaron Adler, Special Counsel, DPS to Susan M. Hudson, Clerk, Public Service Board, dated November 20, 2002; tr. 11/25/02 at 9 (Rendall).

avoidable or deferrable through action by the utility as part of its own projects to solve T&D problems. Exh. Joint-21 at ¶ 30.

49. In the MOU, the signatories state their agreement that the implementation of DUP and establishment, funding, and support of the ASCs in accordance with the MOU, if the MOU with attachments is approved in its entirety by the Board, is to be considered to resolve all claims (based on actions or failures to act prior to September 12, 2002) that a signatory utility failed to satisfy its DUP obligations to customers under: (1) 30 V.S.A. §§ 218c, 218b; (2) the Board's Orders in Dockets 5270, 5330, 5980, or 6290; or (3) any requirements to plan for and conduct DUP contained in a Board order specific to a signatory utility. This resolution is to include any claims accruing prior to September 12, 2002, founded upon such DUP obligations, including but not limited to claims of imprudence or non-used and usefulness based upon failure to satisfy such DUP obligations. Exh. Joint-21 at ¶ 31.

IV. DISCUSSION

I find that, given that DUP is a novel and challenging requirement, the MOU and Supplemental Agreements are reasonable under 30 V.S.A. § 218c. They focus the attention of the signatory utilities on the areas of their service territories for which, as of September 12, 2002, DUP analysis and implementation should be performed. They provide for collaborative work among the DPS and the relevant utilities with respect to those areas. They also provide for reasonable transition mechanisms to address uncertainties associated with this new requirement.

This Docket's Goals as Stated in the Docket 5980 MOU

In reviewing the MOU presented here for approval, it is useful to look back to the approved MOU from Docket 5980, under which this Docket was created. In relevant part, the Docket 5980 MOU states that:

The collaborative will seek to recommend to the Board:

- (a) Guidelines for use in DUP activities by individual DUs. The DUP guidelines contained in the Plan shall serve as a starting point for these efforts.

- (b) Procedures for revising IRP filings by DUs to reflect the principles, and assist in the practice of, DUP, and to recognize the potential role of the EEU in assisting with implementation of DUP DSM.
- (c) Externalities and risk adjustments (including methodologies) to be used in DUP. As part of any agreements on externalities that may be achieved through the collaborative DUP process, those entities participating in that process also may seek to amend the externality adder agreed to in paragraph 51, below, for non-DUP DSM.
- (d) A streamlined procedure to recognize T&D projects that may be simply related to emergency or routine repairs and may require implementation prior to completion of the full DUP process. Such procedure must contain sufficient safeguards to ensure that the procedure is not used to bypass the DUP process.¹³

I find that, in large part, this Docket has achieved these goals in a reasonable manner for the service territories of the signatory utilities. With respect to goal (a), the recommendation of DUP guidelines, the Phase I Stipulation contains initial DUP guidelines agreed to by all but four of the state's electric utilities. While the MOU does not recommend any changes to these guidelines, they remain in effect for the territories of the utilities who signed the Phase I Stipulation until revised or superseded by the Board.¹⁴

Concerning goal (b), this issue is largely addressed by the Board's Order of July 16, 2002, in this Docket, establishing IRP filing deadlines and approving, without limitation, formats for incorporating DUP into IRP. This Order resulted from a May 31, 2002, filing agreed to by all but one of the state's electric utilities and applies to all of them.¹⁵ Further, the MOU provides for the Phase II Collaborative participants to continue to discuss the role of the EEU in DUP DSM.¹⁶

With regard to goal (c), the MOU signatories have presented an agreement not only on environmental externalities and some risk adjustments for DUP, but also on avoided generation and capacity costs and non-targeted T&D avoided costs for use in DUP. Risk adjustments not addressed by the MOU are to be discussed in the ASCs. The MOU also addresses the possibility of updating the avoided costs and modifying them to recognize area-specific costs and

13. Docket 5980, Order of 9/30/99, Appendix A at A-17 to A-18.

14. Docket 6290, Order of 3/7/01 at 8; exh. Joint-1 at 3; exh. Joint-40 at 3.

15. Docket 6290, Order of 7/16/01 at 1-2, 13-14.

16. See, finding 16, above.

conditions. Without making any recommendations on methodology,¹⁷ I concur with the signatories, based on the uncontroverted testimony provided, that the values contained in Exhibit Joint-22 are reasonable as part of the overall compromise represented by the MOU and Supplemental Agreements.

Respecting goal (d), Exhibit Joint-23 provides a T&D selection form that will assist the utilities who signed the MOU in streamlining the process of determining when DUP analysis and implementation should be required. The form contains provisions which address emergency situations and minor replacements of deteriorated equipment.¹⁸ Under the MOU, reasonable and good faith application of Exhibit Joint-23 by the utility will establish a rebuttable presumption that the utility's decision on whether a T&D project should be subject to DUP analysis complies with the Guidelines.¹⁹

Concerns Raised by the Hearing Officer

The MOU signatories have reasonably addressed five concerns I had about the MOU and Supplemental Agreements. First, I was concerned that the creation of ten ASCs would create new, or exacerbate existing, resource constraints for the parties participating in those ASCs, and that these resource constraints could cause delays in the filing or review of new IRPs. I was pleased that the DPS, CVPS, GMP, and VEC (all the participants in the ASCs who are responsible for the development and review of IRPs) stated that they expected to have sufficient resources to participate in the ASCs and prepare and/or review IRPs according to the schedule

17. At the technical hearing, the signatories explained that they may have different reasons why they consider the values reasonable as part of the overall package represented by the MOU and Supplemental Agreements, and may have disagreements as to methodologies and data sources. As a result, the signatories asked that the Board not approve a specific methodology but rather that the approval accept the signatories' agreement to the values contained in Exhibit Joint-22 for the purposes described in the MOU without creating a precedent for any other purposes. Tr. 11/25/02 at 8-9 (Adler).

After considering the evidence presented by the signatories regarding the reasonableness of the values in Exhibit Joint-22, I have concluded that it is not necessary for me to reach any decisions regarding methodologies in order to find those values reasonable. Given this decision and the signatories' request, I decline to make any recommendations to the Board regarding methodologies used to derive the values in Exhibit Joint-22.

18. Exh. Joint-23 at 1.

19. Exh. Joint-21 at ¶ 16.

established by the Board in its July 16, 2002, Order.²⁰ In addition, these entities do not expect the ASCs to require a significant commitment of Board resources until the ASCs produce results.²¹ Taken together, the parties' statements on this topic alleviated my concern, and I do not recommend that the Board take any additional action in this area.

Second, I was concerned about the relationship between the Lamoille County Loop ASC and the current multi-utility effort underway to develop a least-cost T&D solution to the constraint in that area. GMP and the DPS have persuaded me that these two undertakings are complementary, not duplicative.²² In addition, they have convinced me that while an ASC for this area that includes only GMP and the DPS is not ideal, it is still likely to have benefits.²³ As a result, I do not recommend that the Board take any additional action in this area.

Third, the MOU signatories have agreed to language, reflected in finding 4, above, under which the ASCs will be conducted in separate dockets rather than in subdockets of this Docket. This will be legally and administratively simpler. As a result, I recommend that the Board open ten new dockets (one per ASC), and accept the criteria for these dockets described in finding 4, above.

Fourth, most of the ASC participants have agreed that quarterly status reports, similar to those filed for the Phase II Collaborative, should be filed for the ASCs.²⁴ This will help keep the Board informed of the progress made by the ASCs, and I recommend that the Board require the ASC participants to file such quarterly status reports.

Fifth, the ASC participants have agreed to notify the Board within ten business days of the termination of an ASC.²⁵ This will enable the Board to close the docket containing the ASC in a timely manner, and I recommend that the Board require the ASC participants to provide such notice to the Board.

20. See, finding 10, above.

21. The parties anticipate that a few of the ASCs may produce results by mid-2003, but most will likely take longer than that. Exh. Joint-40 at 7.

22. See, finding 42, above.

23. See, finding 43, above.

24. See, finding 47, above.

25. See, finding 46, above.

Other Items

Two additional items regarding the MOU deserve brief discussion. First, the MOU requests that the Board convene one or more technical workshops in this docket to discuss DUP pricing principles. At the November 25, 2002, technical hearing, the parties in this Docket recommended a date of January 8, 2002, for this workshop, and I have already scheduled the workshop for this date.²⁶ Therefore, I do not recommend that the Board take any additional action on this item at this time.

Second, in Paragraph 10 of the MOU, the signatories agreed to extend the Phase II Collaborative until January 2, 2002, to continue their discussions on four specific topics.²⁷ Subsequent to the filing of the MOU, the signatories indicated that they intend to continue collaborating on the issues described in MOU paragraph 10 for two weeks beyond the time called for in that paragraph, or through January 16, 2003. I find this reasonable, and recommend that the Board extend the Phase II Collaborative through January 16, 2003.

V. CONCLUSION

Based on the foregoing findings of fact and discussion, I recommend that the Board approve the MOU and Supplemental Agreements for the territories of the signatory utilities, with two modifications:

- (1) each ASC should be contained in a separate docket, rather than in a subdocket of this Docket; and
- (2) the Phase II Collaborative should be extended until January 16, 2003 (instead of January 2, 2003).

26. At the November 4, 2002, status conference, the idea of holding the technical workshop(s) before the Board ruled on the MOU was discussed, and no party objected, provided the workshop(s) were open to all parties in the docket, not just the Phase II Collaborative participants. The parties agreed to work together to develop a recommended date (or dates) for the workshop(s), and notify the Board of the recommended date (or dates) on or before November 25, 2002. *See*, the November 8, 2002, status conference memorandum in this Docket.

27. *See*, finding 16, above.

Therefore, I recommend that the Board immediately open ten new dockets, each of which would contain one ASC. I further recommend that the Board note the criteria for these dockets described in finding 4, above, in the orders opening those dockets.

In addition, I recommend that the Board require each ASC to file a quarterly status report starting three months after the first meeting of the ASC, and I recommend that the Board require ASC participants to notify the Board within ten business days of the termination of an ASC.

Finally, as requested by the MOU signatories, I recommend that the Board open a rulemaking to establish a procedure for master plan review of multiple DG facilities to be installed at the same site or multiple sites, for DUP purposes, to address the same T&D constraint. I recommend that Attachment C to the MOU serve as the starting point for this rulemaking.

This Proposal for Decision has been served on all parties to this proceeding in accordance with 30 V.S.A. § 811.

DATED at Montpelier, Vermont this 14th day of January, 2003.

s/Ann Bishop

Ann Bishop
Hearing Officer

VI. BOARD DISCUSSION

On January 9, 2003, BED filed comments on the Proposal for Decision. BED supported the Proposal for Decision and pointed out a typographical error in finding 39. The words "a conclusion that DUP analysis and implementation should be performed" were omitted from the end of finding 39. The Hearing Officer has made that technical correction to the Proposal for Decision.

On January 13, 2003, the DPS filed comments on the Proposal for Decision. BED, CVPS, Citizens, GMP, VEC, Vermont Marble, and WEC concurred in the DPS's comments. The DPS's comments supported the Proposal for Decision, and requested a modification to paragraph 4 of the proposed order. As originally written, that paragraph provided that each Area-Specific Collaborative ("ASC") should file a quarterly status report starting three months after the first meeting of the ASC. The DPS proposed that the language be changed to read:

Subsequent to the first meeting of the ASC, each ASC shall file a quarterly status report no later than the 25th day following the completion of each quarter of the calendar year. The status reports shall briefly describe the ASC's accomplishments during the quarter of the calendar year just completed, including references to specific tasks listed in the Supplemental Agreement governing the ASC.

The purpose of the requested change is to institute a system under which each ASC's status reports are due by January 25, April 25, July 25, and October 25 of each calendar year, rather than each ASC's status reports being due on different dates depending on when the first meeting of the ASC was held. According to the DPS, this change would promote administrative efficiency, and would allow the ASC participants time after the completion of the quarter to create and discuss the status reports. We find this change to be reasonable, and hereby approve it.

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The findings and recommendations of the Hearing Officer are adopted, except as modified in Paragraph 4, below.
2. The Memorandum of Understanding ("MOU") and Supplemental Agreements, Exhibits Joint-21 through Joint-39, are approved and accepted in their entireties for the territories of the signatory utilities, except that:
 - (a) the Phase II Collaborative shall be extended until January 16, 2003; and
 - (b) each Area-Specific Collaborative ("ASC") shall be contained within a separate docket.
3. Ten new dockets shall be opened, each of which will contain one ASC. The orders opening these dockets shall note that:
 - (a) the signatories to the Supplemental Agreement creating the ASC shall be parties to the docket opened to contain the ASC, and other entities may become parties if they qualify for intervention under PSB Rule 2.209; and
 - (b) each docket opened to contain an ASC, upon motion of a party to the docket, shall incorporate such portions of the record of Docket 5980, and the record of this Docket through the date of the Board Order approving the MOU, as may be specified by the party making the motion. A party responding to such a motion may specify other portions of those records for incorporation and such portions also shall be incorporated into the docket opened to contain the ASC.
4. Subsequent to the first meeting of the ASC, each ASC shall file a quarterly status report no later than the 25th day following the completion of each quarter of the calendar year. The status reports shall briefly describe the ASC's accomplishments during the quarter of the calendar year just completed, including references to specific tasks listed in the Supplemental Agreement governing the ASC.
5. ASC participants shall notify the Board within ten business days of the termination of an ASC.
6. A rulemaking shall be opened to establish a procedure for master plan review of multiple distributed generation facilities to be installed at the same site or multiple sites, for

distributed utility planning purposes, to address the same transmission and distribution constraint. Exhibit Joint-24 (Attachment C to the MOU) shall serve as the starting point for this rulemaking.

7. This Docket is remanded to the Hearing Officer for further proceedings.

Dated at Montpelier, Vermont, this 15th day of January, 2003.

<u>s/Michael H. Dworkin</u>)	
)	PUBLIC SERVICE
)	
<u>s/David C. Coen</u>)	BOARD
)	
)	OF VERMONT
<u>s/John D. Burke</u>)	

OFFICE OF THE CLERK

FILED: January 15, 2003

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.